

Our friend produced the following items in my talk with him:

Relations with CIA

He stated he has a current dispute with CIA, in which he has them "over a barrel". He did not specify the nature of the dispute, but said he had CIA so much on the run that they had recently sent "a general" to New York, who approached his wartime "exec", "who is no longer associated with me, although we are very close friends", to ascertain if the difficulty couldn't be settled amicably, outside of the regular channels.

He referred to his fight of a year or more ago "with BEEDLE", over the question of sources, and said he had won the row for the simple reason that the Senate Appropriations Committee had informed BEEDLE that no funds would be forthcoming for CIA unless the necessary monies for our friend's operations were included in the request.

He said he would really just as soon quit his association with CIA, and that he might later, but would certainly not, as a "fighter", quit while the current dispute was on.

Although he did not mention Freddy LYON in connection with this dispute, the two times he did mention him were in a context that suggested to me a larger juxtaposition in our friend's mind, perhaps including CIA. MCCARTHY, and his current dispute. Specifically, he said twice that LYON "has no guts", and implied that LYON had let him down. He obviously felt strongly on this subject.

He attributed his bad relations with CIA to three things: (1) Although there are some good people there, generally speaking, CIA doesn't know or understand the business; (2) He has a very considerable experience in all aspects of the business; (3) Notwithstanding very correct and even cordial relations, a personal animosity felt by A. W. DULLES for him.

DECLASSIFIED AND RELEASED BY
CENTRAL INTELLIGENCE AGENCY
SOURCE METHOD EXEMPTION 3B2B
NAZI WAR CRIMES DISCLOSURE ACT
DATE 2006

- page two -

On the latter point, he said that this was the considered judgment of Norman ARMOUR, Sr., Adolf BERLE, and Graham MARTIN. For himself, he regretted it, and reproached himself to some extent for having permitted it to go so far. He felt that even though he was A. W. DULLES's better in technical knowledge of the business, which contributed to DULLES's feeling concerning him, he should have made an effort to overcome DULLES's feeling, although it was probably too far gone now.

He was highly critical of CIA; he stated his belief that a full-scale investigation and expose of CIA by MCCARTHY even though it would destroy much, and set us back temporarily, would on balance be a highly desirable thing, since the long-term advantages of destroying CIA and starting afresh would far outweigh any temporary disadvantages.

In connection with this latter point, he said specifically that Frank G. WISNER was one of the people MCCARTHY would go after when he started on CIA. He said further that there exists an "American Underground" of MCCARTHY agents all through CIA which he understands even includes one of the assistant directors. He stated that these people have been passing vast quantities of information and papers to MCCARTHY, who by now has an enormous documentation of the case to be made against CIA.

He remarked, during his criticism of CIA, that he frequently wondered if something more than mere incompetence was not involved. By way of illustration, he said that he has been running a "high-level satellite Foreign Office penetration", and that in one of his sessions with CIA representatives they had asked him pointblank if the individual was not X. He said the name they gave was not his man, but he nonetheless neither affirmed nor denied this, thus giving the CIA representatives the impression, by his failure to deny, that it was his man. According to our friend, the man named by the CIA representatives was arrested one month later and disappeared.

He asked me at one point for any information on FGW, stating there must be some "skeletons in his closet". In keeping with my pose of disillusionment with FGW, I touched briefly on the story

- page three -

of C. OFFIE -- again -- and then permitted myself the observation that FGW was able and ambitious, but to my mind defective in his judgment of men.

He asked for my views on the case of [] [] I replied that although I had not been familiar with the details of the matter it was my impression from what I had read thus far that [] [] had never understood what [] [] was talking about, simply because [] [] didn't understand the business. He agreed this might be so, and applicable to large numbers of CIA personnel.

Comments on the State Department

He said he had never seen the State Department in such awful shape. He said no one there had "guts", and it was in this connection that he referred specifically to LYON, as an example. He said Norman ARMOUR had called him that very day and complained of the impossibility of accomplishing anything constructive with the State Department, particularly with J. F. DULLES and SMITH in control. Our friend was himself notably bitter about SMITH. Strangely enough, he characterized Scott MCLEOD as "unbelievably naive".

When I mentioned the State Department's policy of not giving letters of thanks or recommendation to its departing personnel, he said it depended entirely who one was. He stated that Helen KIRKPATRICK -- whose brother he noted works at CIA -- had been sleeping with W. B. SMITH while she was at the State Department, and that when she left there, SMITH had insisted she be given a letter, which she was. (When I last discussed this question with Helen KIRKPATRICK in late November, she had still not received any letter, although she left the Department in June.) Our friend had no comments on Helen KIRKPATRICK's brother, however.

When I mentioned the case of Sam REBER, and expressed regret that it had been brought to public notice recently, our friend said that in the first place the allegation was true, but that in any event there was more to it than just that. He said that Chancellor ADENAUER had written a letter to Senator TAFT complaining of Sam REBER's pro-Socialist attitude. He said that he had seen this letter himself.

*omit
from 7/1/54
memo
Mtg. with J. A.*

- page four -

Personal Matters

Our friend mentioned as his past or present clients Phillips, Oerlikon, "French companies", the Dutch Government, the Finnish Olympic Games Committee, and Schenley (1946-50). He stated he is doing very well this year, having made \$20,000 the first quarter, which he said could mean \$100,000 for the full year if things kept on as well.

He complained somewhat of his health, and said that in February, in Paris, he had suffered a near nervous breakdown from overwork, but was now recovered.

He mentioned that George KOVAC was no longer with him -- which I knew previously -- and described at some length KOVAC's total lack of judgment -- which I also knew previously. In the course of describing this, however, he mentioned that KOVAC had brought him some business late last year, after having left his office, in the form of Baron CHAZY, Zurich, Switzerland. CHAZY had a contract with the Cuban Government for some 2 million dollars of small arms, and claimed to have lined up the suppliers in the U.S. He wanted from our friend assistance in getting the U.S. export permits. Our friend's fee was to be either 25 or 30 thousand dollars. It developed, however, that CHAZY did not have the suppliers in the U.S., so for an additional fee our friend went to work on that too. He said the deal had not come through yet, but might some time in the future.

Our friend also said that recently -- perhaps around the beginning of the year (?) -- Jim FARLEY telephoned him saying that his firm was having difficulties with operating abroad and that they wished to use him to smooth over their problems. Our friend said he replied: "Yes, you are in troubles because most of your people are in CIA and you don't know it," FARLEY expressed surprise, and our friend went on to explain to him that the CIA representatives serving under FARLEY's cover unbeknownst to himself had, for example, in North Africa handed out 100,000 ice picks as "souvenirs" which had in turn been used by the Nationalist rioters in recent incidents. Our friend went on to explain to FARLEY that the French police had all of the details and that was one of the reasons why his company was experiencing "difficulty".

- page five -

General Impression

Our friend was bitterly critical of W. B. SMITH, A. W. DULLES, and John Foster DULLES, in that order. He was also critical of EISENHOWER and his whole group, stating that they did not understand their business, which he regretted as he regards this to be the businessman's last chance. While he is obviously strongly pro-MCCARTHY, I found him less outspokenly so than in my last talk with him almost a year ago. He was less frenetically dogmatic than before, although I would not say that this presaged any less bombast.

This is about C of P ?

1 - above

1 - same as above